

Audit Committee Characteristics and Firm Performance of Listed Financial Services Firms in Nigeria: A Moderating Effect of Audit Committee Gender Diversity

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ABSTRACT

This study examines the effect of audit committee characteristics on the performance of listed Nigerian financial services firms. The study also examines the moderating effect of audit committee gender diversity on the relationship between audit committee characteristics and firm performance. The study adopted a quantitative approach and uses secondary data from Nigerian financial firms for the period 2014 to 2023. The data for the study was obtained from Nigerian Exchange Group (NGX) website. Multiple regression analysis was conducted to determine the strength and direction of the relationships outlined in the study. The result of the regression analysis suggests that, audit committee independence and audit committee expertise have significant negative relationship with firm performance. On the other hand, audit committee meeting show insignificant relationship with firm performance. Meanwhile, the result of the moderation effect reveals that audit committee meeting, audit committee independence and audit committee expertise are significant and positively related to firm performance after incorporation of audit committee gender diversity as a moderating variable. This finding has significant implications for corporate governance structures in Nigeria, especially in promoting more inclusive leadership within audit committees. The research recommends that, regulatory bodies and financial firms should prioritize the enhancement of gender diversity in governance frameworks to foster improved firm performance. These findings contribute to the literature on corporate governance by providing insights into how gender-inclusive audit committees can enhance firm performance in emerging economies like Nigeria.

Keywords: Social Media Marketing Activities, Brand Trust, Brand Loyalty, Customer Purchase Intention.

INTRODUCTION

Firm performance has traditionally been linked to companies' survival, growth and managerial efficiency and effective investment decisions (DeFond et al., 2022). In today's dynamic business environment, firms must meet stakeholder expectations, as their perception of operational success hinges on performance measurement and monitoring systems (Davis et al., 2020). Beyond financial indicators like stock returns and return on assets,

firm performance includes productivity, profitability, market position and organizational effectiveness (Thompson et al., 2023). Despite advancements in performance assessment, financial reporting scandals have raised concerns among regulators and researchers (Bédard & Gendron, 2022). Corporate collapses, such as Enron and WorldCom have exposed weaknesses in financial reporting and external audits, with similar trends observed in European markets and Africa (Gill

& Garcia, 2019). These events underscore the need for transparent financial reporting and strong internal controls to maintain investor confidence and economic stability (KPMG, 2021).

Nigeria has also experienced financial scandals, including African Petroleum Plc and Globacom Technologies, which exposed regulatory lapses and damaged firms' reputations (Oke, 2021). Cases such as the Central Bank of Nigeria's intervention in Oceanic Bank (2009), Intercontinental Bank's acquisition by Access Bank (2011), Skye Bank's license revocation (2018), and Diamond Bank's merger with Access Bank (2018) highlight the crucial interplay between audit committee characteristics and firm performance (Ndiokho & Ordu, 2019; Ikegwuonu & Maduekwe, 2020). These situations stress the importance of corporate governance in mitigating financial instability (Baber et al., 2020). The audit committee plays a vital role in ensuring sound corporate governance, particularly through its independence, meeting frequency and expertise. However, gender diversity within audit committees remains a debatable factor. While some studies suggest that diverse teams lead to better decisions (Schauer, 2009), others find the impact inconclusive (Knechel et al., 2017). Feminist theory suggests that gender diversity introduces varied perspectives, potentially improving audit committee effectiveness in enhancing firm performance. Nonetheless, persistent gender imbalances in audit committees raise concerns about equitable representation and decision-making quality (Adams, 2021). With increasing financial uncertainties and corporate fraud, regulators emphasize the need for strong corporate governance (Olayinka & Oluwafemi, 2021).

Nevertheless, Nigeria's financial sector has undergone significant transformation, including deregulation and adherence to international standards (Olokoyo, 2019). However, challenges such as inadequate capitalization and high non-performing loans persist (Obansa & Ogiedu, 2020). Given the importance of audited financial statements in Nigeria, gender diversity on corporate boards is expected to enhance audit committee effectiveness and add value to firms (Adegbie et al., 2020). The decision to consider

Nigeria as a case study is hinged on the fact that it is a low-income male-dominated society, with a significant gender disadvantage across various professions and occupations. Data from the World Bank in 2014 to 2018 showed that African countries of over 180 million people have a poverty rate of 42.4% with a population growth rate of 2.61%, but women are faced with greater economic hardship. It is important to understand the barriers for including women in governance and the hindrance that prevents female gender the opportunities to occupy top positions in companies. This research provides evidence-based findings which contribute to the need for education, institutional, societal and cultural change and create an avenue for the guidance and quality leadership for policy makers. This study is also motivated by the critical role of financial services firms in enhancing the efficiency and performance of capital markets.

From a theoretical perspective, existing literature on audit committee characteristics and firm performance presents mixed evidence. In developed economies, studies such as Klein (2002) and Anderson et al. (2004) suggest that audit committee independence and expertise enhance firm performance through stronger monitoring and oversight. Similarly, Vafeas (1999) found that frequent audit committee meetings positively impact governance effectiveness. However, in developing economies the findings have been more ambiguous. For instance, a study conducted in Nigeria by Uwuigbe et al. (2018) found no significant relationship between audit committee independence and firm performance. On the other hand, Al Mamun et al. (2014) in Malaysia observed that expertise positively influenced firms' performance. Furthermore, most African-based studies (Nwidobie, 2018; Adeyemi & Fagbemi, 2010) often focus on independence and expertise but neglect the role of gender diversity as a moderating factor. While evidence from advanced markets suggests a clear link between audit committee characteristics and firm outcomes, their applicability in Nigeria remains uncertain because of unique institutional, cultural, and regulatory contexts. Importantly, few studies in Nigeria have explicitly examined how audit-committee gender diversity moderates the relationships between independence,

meetings, expertise and firm performance. Recent Nigerian empirical evidence offers some fresh insights. For example, Ozigi et al. (2023) found that “young women” on audit committee and financial expertise of female audit committee members, alongside general audit-committee expertise, moderated firm performance positively. However, the annual meeting frequency and committee size mattered for earnings per share. In contrast, Aigienohuwa and Irowa Omoregie (2025) found that in manufacturing firms the frequency of meetings (audit-committee diligence) significantly improved scale-efficiency but gender diversity alone had an insignificant effect. In the consumer goods sector, Kabiru and Mohammed (2024) observed that audit-committee financial expertise positively impacted performance, but audit-committee gender diversity and meeting attendance surprisingly exhibited a significant negative impact on performance. Therefore, these new findings underscore that, in the Nigerian context, audit-committee characteristics cannot be assumed to operate uniformly as they do in developed markets. Hence, the role of gender diversity as a moderator remains especially underexplored and produces contradictory results depending on sector, measurement and modelling choice creating a significant gap in the corporate governance literature of emerging economies and making further investigation crucial for both scholars and policymakers.

LITERATURE REVIEW

Concept of Firm Performance

Firm performance influences investor returns, employee compensation, and the quality, cost, and nature of goods and services (Suhendi et al., 2022). It reflects an organization’s ability to achieve wealth maximization (Yinusa et al., 2019; Nenu et al., 2018) and is frequently studied as a dependent variable (Taouab, 2019). However, its definition and measurement vary. Arokodare and Asikhia (2020) view firm performance as continuous financial improvement, measured by metrics like profit after tax, return on assets, and return on investment. Taouab et al. (2019) include profitability, growth, market value, shareholder returns, and customer satisfaction. Alajo and Nzewi (2020) associate performance with economic and social

development, while Chinedu et al. (2020) link it to profit maximization. Financial performance is therefore a key driver of future growth and sustainability of corporate organizations (Samad et al., 2022). Firm performance ultimately measures a company's ability to utilize resources to achieve financial and market objectives (Obeitoh et al., 2021).

CORPORATE GOVERNANCE MECHANISMS

Corporate governance assumes different forms in today’s corporate systems (Baba & Baba, 2021). It is a mechanism used to guide the operation of corporate organizations thereby ensuring responsible, ethical and accountable management (Karim, 2014). Corporate governance is centered on either internal or external mechanisms. External mechanisms involve actors outside direct management, while internal mechanisms are based on specific actions taken by companies to enforce control and accountability in corporate board (Altuner et al., 2015). The primary goal of corporate board is to ensure effective management oversight (Gillan, 2006). Effective corporate governance system in Nigeria’s financial sector, particularly among Deposit Money Banks (DMBs), remains crucial to economic growth. As of 2023, DMBs held about 90% of non-central assets and 65% of stock market capitalization, reflecting their dominance (CBN, 2023; NSE, 2023). The Central Bank of Nigeria (CBN) regulates the sector through legislation like the CBN Act and Banks and Other Financial Institutions Act (BOFIA). Nigerian banks also adopt the Corporate Governance Code for Banks, which aims to enhance transparency and risk management (CBN, 2021). Corporate boards have several committees. Board committees are established basically to lighten the workload of the board by focusing on specific issues and carrying out the required due diligence. The audit committee is one of the board committees that is responsible for ensuring the integrity of companies’ financial reporting, audit process and system of internal controls, disclosures and compliance with laws and regulations (PWC, 2025).

Audit Committee Meetings and Firm Performance

Participants in audit meetings form a diverse cohort, encompassing internal auditors, external auditors,

members of the audit committee, senior management, and other pertinent stakeholders (Zhang et al., 2018). The ramifications of audit meetings extend far beyond the confines of the meeting room, significantly influencing organizational performance (Chen & Lin, 2021). Favorable outcomes may encompass enhanced financial reporting quality, bolstered internal controls, heightened compliance with regulatory mandates, and augmented stakeholder confidence. Conversely, inadequately conducted meetings or unresolved issues may precipitate reputational harm, financial losses, and regulatory sanctions. In their study, Chen and Lin (2021) underscore the significance of audit committee expertise in elevating the quality of internal audits. They accentuate the role of audit meetings as a platform for fostering effective communication and collaboration between auditors and management, thereby enhancing the overall efficiency and effectiveness of internal audit processes (Chen & Lin, 2021). Previous findings surrounding audit meetings encompass a myriad of perspectives, delving into their impact on audit quality, financial reporting, corporate governance, and organizational performance (Zhang et al., 2018).

Davidson and Wang (2024) examined how audit committee meetings enhance corporate governance and firm performance in Chinese publicly listed firms. Analyzing governance reports from 150 Shanghai Stock Exchange firms using structural equation modeling, they found a significant positive link between meeting frequency and performance metrics like EPS and market value. Regular meetings improved financial reporting and reduced governance risks, fostering stakeholder trust, aligning with EU regulations. Singh and Kumar (2024) studied 100 Bombay Stock Exchange firms using secondary financial data, identifying a positive correlation between frequent audit meetings and financial stability. Agwu and Eze (2022) used panel regression on data from 20 Nigerian banks over five years, showing that frequent meetings enhanced oversight, ensured adherence to best practices, and boosted firm value as measured by Tobin’s Q. Despite the potential benefits of virtual meetings in enhancing efficiency and flexibility, challenges such as technological issues may hinder their effectiveness. Based on the available study above, the

following hypothesis is formulated:

H1: There is a positive relationship between Audit Committee meetings and Firm Performance.

Audit Committee Independence and Firm Performance

An auditor must be independent and committed to serving public interest (Hayani, et.al, 2022). Independence could be interpreted as a mental attitude that is free from influence, not controlled by another party and not dependent on other people. Independence also means the honesty of an auditor to consider fact and existence in objective consideration, not takes sides in formulating and stating the opinion (Imamsari et. al, 2020). Independence is the attitude expected of an auditor not to have a personal interest in carrying out his duties. Studies were conducted on effect of audit independence and firms’ performance. Among others, Mohammed and Ibrahim (2024) examined regulatory changes in Nigeria, combining qualitative insights with quantitative data. Their findings highlighted mixed outcomes, stressing the importance of balanced regulations that enhance auditor independence while supporting firm performance. Ogundele and Hassan (2023) analyzed 90 listed Nigerian manufacturing firms, finding a significant positive correlation between audit committee independence and performance indicators like profit margins and efficiency. The study advocates for stronger frameworks to enhance audit independence. Singh and Patel (2024) investigated audit committee independence in India through a case study of 60 public companies, concluding that it plays a crucial role in preventing financial irregularities and ensuring sustainable performance. Gurjath and Martinez (2024) conducted a longitudinal study on 200 firms across five Latin American countries, demonstrating a consistent positive relationship between independent audit committees and financial performance, reinforcing the universal importance of strong audit practices. Based on the foregoing, this study hypothesizes as follows;

H2: There is positive relationship between Audit Committee Independence and Firm Performance.

Audit Committee Expertise and Firm Performance

According to Rahayu (2020), the quality of auditors in terms of experience can increase their ability to carry out audits. Audit expertise refers to an auditor with auditing expertise, a lot of knowledge, highly educated and experienced (Malau & Syofyan, 2022). Audit expertise is a critical component of the auditing profession, influencing the quality of audits and the reliability of financial statements (El-Khatib, 2021). It provides valuable insights into the factors that contribute to high-quality audits. Continuous professional development, robust regulatory environments, cultural considerations, technological proficiency, ethical standards and experience play a pivotal role in shaping audit expertise (Ahmed & Hassan, 2023). However, studies were conducted on the relationship between audit committee expertise and firm performance. Among others, Ahmed and Ibrahim (2024) investigated the relationship between auditor expertise and firm value among publicly listed firms in Egypt. Using a dataset of 40 firms over six years, the study employed regression analysis to establish that auditor expertise significantly enhances firm value. On the other hand, a comparative study conducted on Nigeria and Ghana listed firms by Onyenaju et al. (2025) found a significant negative relationship between audit committee expertise and firm value. Besides, Singhania and Panda (2025) conducted a study to examine the relationship between audit committee characteristics and firm performance among top NSE-listed non-financial companies in India. Based on 133 companies covering five years from 2016-2020, the study found insignificant relationship between audit committee expertise and firm performance. The study underlined the critical role of experienced auditors in mitigating risks and promoting transparency. Therefore, In the light of the foregoing, put forward this hypothesis:

H3: There is positive relationship between Audit Committee Expertise and Firm Performance'

Moderating Effect of Audit Committee Gender Diversity on the Relationship between Audit Committee Characteristic and Firm Performance

Abubakar et al. (2023) examined Nigerian firms using structural equation modeling, revealing that gender diversity strengthened the positive impact

of audit committee independence on performance. Women's contributions to audit committees fostered better audit practices and firm outcomes. In Bangladesh, Khan and Memon (2023) also found a positive link between audit committee independence and firm performance, with gender diversity acting as a crucial moderator. Their study highlighted how female participation improved communication, transparency, and audit rigor, ultimately enhancing corporate financial performance. Adeyemi (2023) undertook a study to examine the effect of audit committee characteristics on firm performance among listed Nigerian firms. Using hierarchical regression analysis on 100 firms, the study found that gender diversity strengthens the link between audit committee meetings and firm performance, emphasizing transparency and governance improvements. Bamidele et al. (2024) expanded the analysis to sub-Saharan Africa, assessing 130 firms with a fixed-effects regression model. The study confirmed that gender diversity in audit committees enhances financial performance by improving risk management and fostering innovative solutions. These studies collectively highlight the importance of gender diversity in audit committees across different markets.

Moreover, a study was also conducted by Oladipo and Akinola (2021) using a sample comprising 50 Nigerian financial institutions. The findings of the study suggests that gender-diverse audit teams contributed to better financial performance due to varied perspectives and enhanced decision making. Patel and Singh (2023) analyzed data from 150 Indian corporations. The finding suggests that, the presence of women in audit roles correlated with higher profitability and market valuation. Müller and Schmidt (2023), examining the top 200 German corporations, concluded that gender-diverse audit expertise is associated with higher financial performance and market efficiency. Jones and Davis (2023) explore the impact of gender diversity in audit committees on the financial performance of publicly listed firms in the United Kingdom. The study employed both fixed-effects and random-effects models. The study found that gender-diverse audit committees significantly enhance firm performance, particularly when combined with high levels of audit expertise. This study suggests

that gender diversity can positively influence firm performance by fostering a more inclusive and effective audit process, thereby improving corporate governance. Based on the foregoing, the following hypotheses are formulated.

H4: Audit Committee Gender Diversity positively Moderate the relationship between Audit Committee Meeting and Firm Performance

H5: Audit Committee Gender Diversity positively Moderate the relationship between Audit Committee Independence and Firm Performance

H6: Audit Committee Gender Diversity positively Moderate the relationship between Audit Committee Expertise and Firm Performance

CONTROL VARIABLES

This study include the following variables: firm size, firm age and leverage as control variables as they are commonly linked with variations in firm performance and audit quality outcomes. Firm size remains a significant control variable because it often dictates the complexity of operations, resource availability, and market influence. Larger firms typically have more resources to invest in robust internal controls and can attract higher-quality auditors due to their ability to pay higher audit fees. They are also subject to greater scrutiny by regulators and the public, which can enhance audit quality. Prior research has consistently demonstrated a positive association between firm size and audit quality. For instance, Lawrence et al. (2011) found that larger firms tend to experience higher audit quality because of their capacity to afford more comprehensive audits. Similarly, Francis and Yu (2009) observed that larger firms are more likely to engage Big 4 auditors, who are associated with enhanced audit committee characteristics and more rigorous audit practices. Firm age, on the other hand, reflects the number of years a firm has been in operation and is a proxy for organizational experience, reputation, and stability. Older firms often have established reporting systems, structured governance frameworks, and long-term auditor relationships, all of which can contribute to improved audit quality and firm performance. According

to Alqatamin (2018), older firms generally exhibit better compliance with corporate governance standards due to accumulated experience and reputational considerations. Similarly, Khatab et al. (2021) reported that mature firms tend to perform better financially as their market reputation and operational efficiency increase over time. However, in some cases, older firms may also experience bureaucratic rigidity that could negatively affect innovation and responsiveness.

Leverage, which represents the proportion of debt in a firm's capital structure, is another critical control variable influencing both audit quality and firm performance. High leverage increases a firm's financial risk and the likelihood of default, which can, in turn, attract closer scrutiny from auditors and stakeholders. Jensen and Meckling (1976) agency theory posits that higher leverage intensifies the conflict between debt-holders and shareholders, necessitating stronger monitoring mechanisms such as higher audit quality. Empirical evidence by Li and Lin (2023) and Al-Homaidi et al. (2022) supports this notion, revealing that firms with higher leverage often demand more credible audits to reduce information asymmetry and reassure creditors. Conversely, excessive leverage may constrain a firm's financial flexibility, adversely affecting performance and limiting investment in audit-related activities.

THEORETICAL FRAMEWORK

The conceptual framework is supported by agency theory as the primary foundation, with signaling theory providing a complementary perspective.

AGENCY THEORY

Proposed by Jensen and Meckling (1976), agency theory explains conflicts between principals (shareholders) and agents (managers) due to differing interests and information asymmetry. Managers may prioritize personal gains, leading to agency costs such as monitoring and bonding expenses. This issue is particularly pronounced in Nigeria due to weak governance structures and corruption. Agency theory links audit committee characteristics (ACC) to firm performance, as effective audit committees help mitigate

agency problems by overseeing management decisions, ensuring compliance, and enhancing transparency (Allegrini & Greco, 2013). Attributes like independence, expertise, and diligence improve financial oversight, aligning managerial actions with shareholder interests (Rupley et al., 2012; Eng & Mak, 2003). Studies (Said et al., 2017; Ajibolade & Uwalomwa, 2013; Power, 1991) confirm the role of audit committees in strengthening governance and fostering shareholder confidence.

SIGNALING THEORY

Developed by Spence (1973), signaling theory explains how firms communicate credibility to reduce information asymmetry. Originally applied to job markets, the theory is now extended to corporate governance, where firms use strong audit committees, financial reporting, and governance disclosures to signal reliability (Fagbemi et al., 2017; Ofoegbu & Ifurueze, 2021). In financial markets, boards and executives send signals such as governance reforms or audit committee independence to assure investors of adherence to best practices (Connelly et al., 2010). Prior studies (Brandes et al., 2006; Zhang & Wiersema, 2009; Karasek & Bryant, 2012) highlight how governance mechanisms act as credibility signals. This study applies signaling theory to audit committee characteristics, emphasizing their role in enhancing transparency and investor confidence.

RESEARCH FRAMEWORK

The framework of this study is consistent with theoretical viewpoints and empirical results of prior studies relating audit committee characteristics and firm performance. The framework is adopted from the work of Abubakar and Mohammed (2021), Hassan and Ibrahim (2022), Abdullahi et al. (2023), Kim and Lee (2023), Obamuyi and Fagbemi (2023) and Ojo et al. (2023) with modifications by encompassing different construct related to the study and audit committee gender diversity as moderating variable.

INDEPENDENT VARIABLES

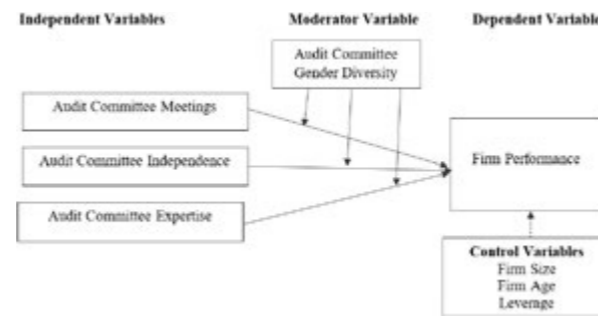


Figure 2.1: Research Framework of the study

METHODOLOGY

This section presents the methodology adopted in conducting this research. This study adopts ex-post facto research design, which was employed to examine the causal relationship among the variables. In this particular study, a quantitative research approach was adopted, utilizing secondary data. Besides, the research focused on financial services companies listed on the Nigerian Exchange Group (NGX) from 2014 to 2023. As of 23th December, 2024, there were 45 financial services institutions listed on the NGX. The study specifically concentrated on these financial services firms. However, this study utilizes secondary data sources. Annual report for the years 2014-2023 was obtained from the corporate websites of selected firms. Company annual reports serve as a source of data for this study due to their widespread acceptance and high credibility and reliability as noted by Deegan and Rankin (1997) and Abdulrahman (2001). The study utilizes quantitative approach using appropriate statistical techniques. The study conducted both descriptive and inferential analysis. STATA 13 statistical software package was used to perform the statistical analysis on the data.

Variable	Type	Measurement	Source
Firm Performance (ROA)	Dependent Variable	Net income ÷ Total assets	Darmadi (2013)
Audit Committee Meeting	Independent Variable	Number of audit committee meetings per year (frequency)	Schmidt (2023)
Audit Committee Independence	Independent Variable	Proportion of non-executive directors on the audit committee	Angsuziri (2021)
Audit Committee Expertise	Independent Variable	Number of audit committee members with accounting/finance expertise	Obesih et al. (2023)
Audit Committee Gender Diversity	Moderator	Percentage of female members in audit committee ÷ Total audit committee members	Kabara et al. (2022)
Firm Size	Control Variable	Natural logarithm of total assets	Ling & Sultana (2015)
Leverage	Control Variable	Total liabilities ÷ Total assets	Cormier et al. (2011)
Firm Age	Control Variable	Observation year – Year of incorporation	Saputri et al. (2020)

Modelling the Relationship between Audit Committee Characteristics and Firm Performance

This model presented the direct relationship between audit committee characteristics and firm performance.

$$FIRMPF_{it} = \beta_0 + \beta_1 AUDCME_{it} + \beta_2 AUDCIN_{it} + \beta_3 AUDCEX_{it} + \beta_4 FIRMSZ_{it} + \beta_5 FIRMAG + \beta_6 LEVERG_{it} + \epsilon_{it} \dots \dots \dots (1)$$

Where:

FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCND = Audit Committee Independence, AUDCXP = Audit Committee Expertise, FIRMSZ = Firm Size, FRMAGE = Firm Age, LEVERG = Leverage, β_0 = Intercept and ϵ = Error Term

3.3 Modelling the Moderating Effect of Audit Committee Gender Diversity on Relationship between Audit Committee Characteristics and Firm Performance

This model introduces Audit Committee Gender Diversity as moderator. Specifically, the model assesses the moderating effect of audit committee gender diversity on the relationship between audit committee meetings, independent and expertise variables and a dependent variable (FP). The model is represented as below:

$$FIRMPF_{it} = \beta_0 + \beta_1 AUDCME_{it} + \beta_2 AUDCIN_{it} + \beta_3 AUDCEX_{it} + \beta_4 FIRMSZ_{it} + \beta_5 FIRMAG + \beta_6 LEVERG_{it} + \beta_7 AUDCME_{it} * ACGEND + \beta_8 AUDCIN_{it} * ACGEND + \beta_9 AUDCEX_{it} * ACGEND \dots \dots \dots (2)$$

Where:

GENDIV = Audit Committee Gender Diversity and all other variables were earlier defined.

4.0 Result and Discussions

This section present and discussed the analysis of data using both descriptive statistics and inferential analyses.

Descriptive Statistics

Pallant (2013) explains that descriptive statistics serve a fundamental role in research by providing a clear summary of the essential characteristics of the

study sample. Descriptive statistics help researchers to organize, simplify, and present data in a meaningful way, offering insights into measures such as central tendency, variability, and distribution. Table 1 depicts the descriptive analysis of the study. Accordingly, the mean value for firm performance (FIRMPF) is 0.621 with a standard deviation of 0.415 which moderates performance variations among firms, with a highly skewed distribution (1.500), indicating that some firms perform significantly better than others. This result aligns with the study of Adegbite (2022) which found performance disparities among listed financial service institutions due to governance structures. The audit committee meetings (AUDCME) average 4.369, reflecting compliance with Nigeria’s corporate governance codes, which require at least four meetings annually. The low skewness (-0.100) suggests a nearly normal distribution. This is consistent with the findings of Uwuigbe et al. (2021), which established a positive relationship between frequent meetings and improved oversight. Audit committee independence (AUDCIN) and expertise (AUDCEX) show means of 0.425 and 0.433, respectively, indicating that less than half of the committee members are independent or experts. Their moderate skewness (0.600) suggests slight deviations from normality. This is in line with Sanda et al. (2020), which emphasized the role of independence and expertise in enhancing audit quality, thereby improving firm performance. Audit committee gender diversity (ACGEND) has a mean value of 0.471, showing limited female representation. This is consistent with the view of Okafor et al. (2022), who noted that gender diversity in Nigerian financial institutions remains low but has a positive impact on governance effectiveness.

Variable	Obs	Mean	SD	Min	Max	Skewness	Kurtosis
FIRMPF	390	0.621	0.415	0.241	6.500	1.500	5.500
AUDCME	390	4.369	0.900	2.000	6.000	-0.100	2.700
AUDCIN	390	0.425	0.150	1.000	5.000	0.600	3.300
AUDCEX	390	0.433	0.140	1.000	3.000	0.600	2.800
ACGEND	390	0.471	0.160	0.200	0.800	0.300	2.500
FIRMAG	390	3.350	1.000	1.000	4.500	-1.000	4.500
FIRMSZ	390	18.067	2.500	14.000	24.000	0.500	2.800
LEVERG	390	1.337	0.600	0.500	15.000	2.000	9.000

Note: FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage.

Firm age (FIRMAG) averages 3.350, with a negatively skewed distribution (-1.000), indicating that older firms dominate the sample. Older firms often have better governance mechanisms, as supported by Owolabi and Ogundipe (2023), which attributes firm's maturity to better financial stability and governance practices. Firm size (FIRMSZ) has a mean value of 18.067, suggesting that most listed financial service institutions are large firms. A skewness of 0.500 indicates a relatively balanced distribution. Larger firms tend to have stronger governance structures, reinforcing the findings of Al-Matari et al. (2022) on the positive effect of firm size on audit effectiveness and financial performance. Leverage (LEVERG) shows the highest skewness (2.000) and kurtosis (9.000), indicating a highly skewed distribution with extreme values. High leverage levels in some firms suggest financial risk, which aligns with the findings of Iyoha and Faboyede (2021), which argued that highly leveraged financial institutions require stronger audit committees for effective risk management. The aforementioned findings collectively emphasize that audit committee characteristics significantly influence firm performance in Nigeria's financial sector. Therefore, enhancing audit committee independence, expertise, and diversity while maintaining effective governance structures could improve firm performance, reinforcing corporate governance's role in financial stability.

CORRELATION ANALYSIS

Correlation analysis is a statistical technique for measuring and evaluating the strength and direction of the association between two metric variables (Bhatti & Sundram, 2015). The correlation matrix (Table II) provides insight into the relationship between audit committee characteristics, firm size, leverage, and firm performance of listed financial services institutions in Nigeria. Firm performance (FIRMPF) is negatively correlated with audit committee meetings (AUDCME) (-0.1033), audit committee independence (AUDCIN) (-0.1071), firm age (FIRMAG) (-0.0947), and firm size (FIRMSZ) (-0.3274), but positively correlated with leverage (LEVERG) (0.2008). This suggests that increased audit committee activities and firm size do not necessarily enhance firm performance. This may be

due to regulatory burden, inefficiencies, or bureaucratic tendencies in large firms. The negative impact of audit committee independence aligns with prior studies (e.g., Adegbite, 2015; Uwuigbe et al., 2020) which argued that independent audit committees may lack industry-specific expertise, reducing their effectiveness. Meanwhile, the positive correlation between leverage and firm performance suggests that firms with higher debt levels might experience performance improvements, possibly due to efficient debt utilization or pressure for financial discipline, in line with agency theory (Jensen & Meckling, 1976). The negative effect of firm size on performance (-0.3274) supports previous findings including Olowokure et al., (2016), Okafor and Ibadin, (2021) which affirms that, likely large firms may struggle with operational inefficiencies despite governance mechanisms. This highlights the importance of right-sizing governance structures to avoid diminishing returns.

Table II: Correlation Analysis

Variables	FIRMPF	AUDCME	AUDCIN	AUDCEX	ACGEND	FIRMAG	FIRMSZ	LEVERG
FIRMPF	1							
AUDCME	-0.1033*	1						
AUDCIN	-0.1071*	0.0556	1					
AUDCEX	0.019	-0.0835*	-0.0994	1				
ACGEND	0.0237	0.0087	0.0688	-0.0347	1			
FIRMAG	-0.0947*	0.0748	-0.0392	0.0673	0.0648	1		
FIRMSZ	-0.3274***	0.0290	0.0237	-0.1356***	0.0111	-0.2224***	1	
LEVERG	0.2008***	-0.0894*	0.1203*	0.016	0.0096	-0.0082	-0.1455	1

Note: FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage.

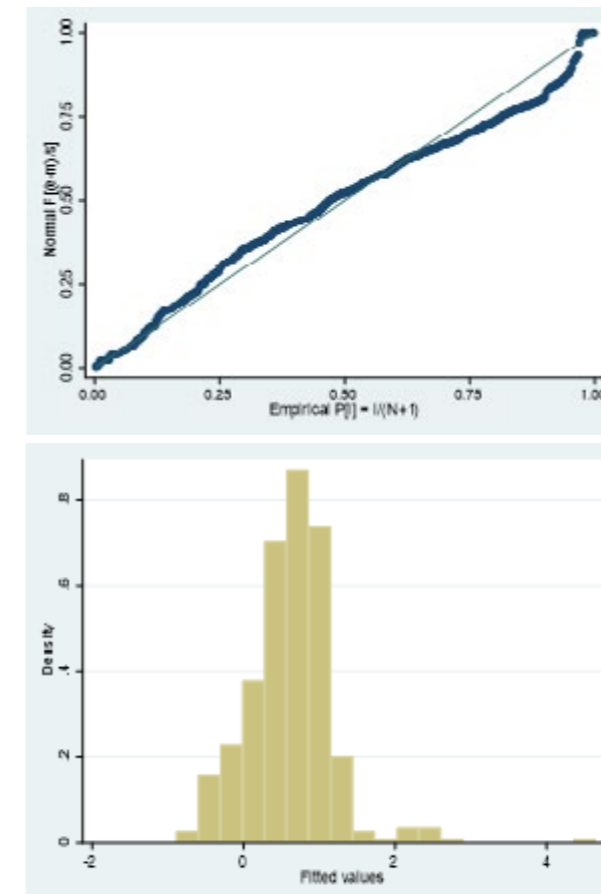
DIAGNOSTIC TESTS

Diagnostic tests in statistics and data analysis are essential tools for validating the assumptions underlying a statistical model and ensuring its robustness, reliability, and interpretability. Gujarati (2004), Hair et al. (2010), and Sekaran and Bougie (2016) emphasize the importance of these assumptions as a prerequisite for reliable statistical inference.

NORMALITY TEST

Normality of the dataset can be determined using either graphical or numerical techniques. Hair et al. (2014) and Park (2008) stated that graphical and numerical methods are statistical techniques that are widely used in confirming the normality of data in a study. Accordingly, the present study used plot probability (PP Plot) to test the normality of the data. The PP plot relates the empirical aggregate distribution functions of the variables with a specific hypothetical

aggregate distribution function by means of the standard normal distribution function (Park, 2008). As depicted in Figure 4.1, the data points had not departed very far from the fitted line. Furthermore, the results of the histogram kdensity test for normality indicate that the data has relatively normal distribution. Besides, the p-value of 0.103 from the Jarque-Bera normality test for residuals distribution (Fig 4.2) also indicates that the data was normally distributed.



MULTICOLLINEARITY TEST

Multicollinearity test is a diagnostic test used to detect collinearity or other conditions between predictor variables. According to Gujarati (2004), correlation between predictors should not exceed 0.8., if the correlation is greater than 80%, there may likely be existence of multicollinearity in the dataset. On the other hand, Variance Inflation Factor (VIF) and the tolerance value are also methods used to test the possible existence of multicollinearity in a dataset. However, the value of the VIF is the amount of variability of the selected independent variable, which

is explained by other independent variables. In contrast, the tolerance is the inverse of VIF (Hair et al., 2010). The VIF and the tolerance values cut-off points are 10 and 0.10 respectively, which indicates that if VIF is closer to 1.00 represents little or no multicollinearity. Based on Table 3, VIF values range between 1.01 and 1.23, whereas tolerance values range between 0.815 and 0.988. Therefore, the result of the collinearity statistics (Variance Inflation Factor, VIF) and Tolerance values for the various independent variables as depicted in the Table III suggest that there is no significant issue of multicollinearity in the model.

Table III: Collinearity Statistics: Tolerance Value and Variance Inflation Factor

Variables	VIF	Tolerance (1/VIF)
FIRMPF	1.23	0.815
AUDCME	1.08	0.927
AUDCIN	1.07	0.933
AUDCEX	1.05	0.950
ACGEND	1.04	0.956
FIRMAG	1.03	0.967
FIRMSZ	1.01	0.988
Mean VIF	1.09	

Note: FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage.

HAUSMAN TEST

Hausman test is a test that is commonly used in panel data analysis to compare the consistency of estimates between Fixed Effects (FE) and Random Effects (RE) models. The purpose is to determine whether the unique errors (or random effects) are correlated with the regressors in the model. If they are correlated, the fixed effects model is preferable; otherwise, the random effects model is efficient and preferred. The Hausman test result as presented in Table 4.

Table IV: Hausman Test Between Fixed Effects (FE), Random Effects (RE), and Ordinary Least Squares (OLS)

Variables	FE	RE	OLS
AUDCME	-0.0027	-0.0181	-0.0665
AUDCIN	-0.4200	-0.6183	-1.0844**
AUDCEX	0.3273	0.1736	-0.2309
ACGEND	0.2467	0.2720	0.3584
FIRMAG	-0.2516	-0.3280*	-0.3361***
FIRMSZ	-0.1527**	-0.1755***	-0.1988***

Variables	FE	RE	OLS
LEVERG	0.0180	0.0324	0.0641**
-CONS	5.2572***	5.5268***	5.7799***
N	390	390	390

Note: FIRMPF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage. *Significance Levels: p < 0.10, ** p < 0.05, *** p < 0.01

From Table 4 above, the result of the Hausman test reveals that Audit Committee Meetings (AUDCME) has insignificant coefficients across all models. This suggests that frequent meetings alone do not enhance firm performance. This aligns with prior studies indicating that, mere frequency of audit committee meetings

does not guarantee improved oversight effectiveness unless coupled with qualitative engagement (Adegbe & Fakile, 2023). Audit Committee Independence (AUDCIN) indicates significant negative coefficient under the OLS model (-1.0844, ** p < 0.05) suggests that higher independence of the audit committee may negatively impact firm performance. This could imply that excessive independence may limit the practical knowledge of committee members, thereby affecting their ability to support management decisions. Prior research such as Ofoegbu et al., (2023) also affirms that while independence enhances monitoring, an overly detached committee may hinder strategic flexibility.

Audit Committee Expertise (AUDCEX) reveals mixed results across models indicating an unclear impact. Under FE (0.3273) and RE (0.1736), expertise appears beneficial, but the negative OLS result (-0.2309) suggests that mere technical competence without strategic alignment may not improve firm performance. Prior findings such as Uwuigbe et al., (2022) support the view that expertise alone is insufficient without active involvement in decision-making. Audit Committee Gender Diversity (ACGEND) shows insignificant coefficients in all models (e.g., 0.3584 under OLS) suggest that gender diversity within audit committees does not independently drive firm performance. However, literature including Olarewaju and Ilesanmi (2023) asserts that, while diversity enriches perspectives, its impact depends on the effective inclusion of diverse voices.

Firm Age (FIRMAG) shows a significant negative coefficient in RE (-0.3280, * p < 0.10) and OLS (-0.3361, *** p < 0.01) which indicates that older firms may experience diminishing returns due to rigidity and bureaucratic inefficiencies. Studies like Adebayo and Olayemi, (2023) confirm that while experience enhances stability, older firms must innovate to sustain performance. Firm Size (FIRMSZ) reveals a consistently negative and significant coefficients across all models (e.g., -0.1988, *** p < 0.01 under OLS) suggesting that larger firms may suffer from inefficiencies that outweigh their scale advantages. This finding supports prior research of Owolabi and Akinyemi, (2023), which found that large Nigerian financial institutions often struggle

with operational complexity and reduced agility. Leverage (LEVERG) shows a significant positive coefficient under OLS (0.0641, ** p < 0.05) indicates that financial leverage can enhance firm performance, potentially due to tax benefits and disciplined capital allocation. This aligns with findings of Okeke et al. (2022) which observed that, leverage can be beneficial when managed effectively.

REGRESSION ANALYSIS

Table 5 presents the result of the regression analysis of this study. As depicted in the Table, Audit Committee Meetings (AUDCME) reveals an insignificant value (Coeff.= -0.084, p = 0.515) which suggests that, frequency of meetings does not significantly impact firm performance. This aligns with prior studies indicating that mere meeting frequency does not necessarily translate into effective decision-making (e.g., Uwuigbe et al., 2022). Audit Committee Independence (AUDCIN) has a significant negative relationship with firm performance (Coeff.= -1.291, p = 0.003), implying that higher independence may lead to lower financial performance. The possibly reason for this result may be due to regulatory compliance without active engagement. This is consistent with Olayemi and Babatunde (2023), which affirms that independent directors may lack the industry expertise to contribute effectively. Conversely, Audit Committee Expertise (AUDCEX) show a positive and significant influence on firm performance (0.327, p = 0.010). This supports the findings of Adamu and Yusuf (2023) which noted that financially knowledgeable audit committee members improve oversight quality, leading to better financial performance.

Variable	Coefficient	Std. Err.	t-value	P-value
AUDCME	-0.084	0.128	-0.66	0.515
AUDCIN	-1.291	0.583	-2.21	0.003
AUDCEX	0.327	0.125	2.6	0.010
ACGEND	-2.066	1.794	-1.15	0.007
AUDCME * ACGEND	0.172	0.193	0.89	0.008
AUDCIN * ACGEND	1.695	0.747	2.27	0.005
AUDCEX * ACGEND	0.064	0.023	2.78	0.000
FIRMAG	0.254	0.134	1.89	0.066
FIRMSZ	0.154	0.060	2.54	0.015
LEVERG	0.018	0.011	1.63	0.112
-CONS	6.382	1.588	4.07	0.000
R Squared	0.0681			
Prob > F	0.000			

Note: FIRMFF = Firm Performance, AUDCME = Audit Committee Meetings, AUDCIN = Audit Committee Independence, AUDCEX = Audit Committee Expertise, ACGEND = Audit Committee Gender Diversity, FIRMAG = Firm Age, FIRMSZ = Firm Size and LEVERG = Leverage.

The result of the regression analysis as depicted in Table 5 shows a significant negative relationship between Audit Committee Gender Diversity (ACGEND) and firm performance (Coeff.= -2.066, p = 0.007). This result suggests that, increase in gender-diverse committees will lead to decrease in firm performance among Nigerian financial sector. However, the result of the moderating effect (AUDCME * ACGEND, AUDCIN * ACGEND and AUDCEX * ACGEND) show positive and significant moderating effect for all the three relationships. This result implies that audit committee gender diversity enhances the relationship between audit committee meetings, independence and expertise on firms' performance. This result is in line with Okonkwo et al. (2022), which found that gender diversity enhances financial expertise and independence effectiveness among financial institutions. Firm Age (FIRMAG) and Firm Size (FIRMSZ) show a positive impact on firm performance, reinforcing prior studies (e.g., Adebayo & Salami, 2021), suggesting that older and larger firms benefit from economies of scale and experience. However, Leverage (LEVERG) is insignificant, implying that financial leverage does not significantly influence performance in this context. These findings emphasize the need for financial service institutions to focus on expertise and gender-diverse committees to enhance governance and performance, rather than just increasing meetings or independence without industry expertise.

CONCLUSION

This study examines the relationship between audit committee characteristics and financial performance of listed Nigerian financial service firms, with audit committee gender diversity as a moderating variable. The study used secondary data from 2014 to 2023 retrieved from annual reports of listed financial service companies. However, the multiple regression analysis conducted revealed a significant relationship between audit committee independence and firm performance. Expertise has significant positive influences on firm performance. Meeting frequency does not show a significant effect on firm performance. For the moderating effect, gender diversity moderated

the relationship between audit committee meeting, independence, expertise and firm performance. This result has highlighted the need for inclusive audit committees to strengthen corporate governance in Nigeria's financial sector. The findings indicate that audit committee characteristics influence firm performance, with expertise being a key driver of financial success. However, excessive independence may limit practical decision-making. Gender diversity in audit committees plays a significant moderating role, improving the effectiveness of independent and expert members. These results emphasize the importance of corporate governance reforms in Nigeria, advocating for diverse, knowledgeable, and strategically involved audit committees to enhance financial oversight and organizational performance.

RECOMMENDATIONS

Based on the conclusion presented above, this study made the following recommendations:

- i. Firms should ensure that audit committee members have relevant financial and industry expertise to improve oversight effectiveness.
- ii. While independence is crucial, firms should balance it with practical knowledge to enhance decision-making.
- iii. Regulatory bodies should encourage increased female representation in audit committees to improve governance outcomes.
- iv. Instead of focusing solely on frequency, audit committees should prioritize the quality of discussions and strategic engagement.
- v. Policymakers should refine governance frameworks to foster a more inclusive, accountable, and efficient financial oversight structure.

Implications

The findings of the study have several implications.

- i. Theoretical implications:

Traditionally, Agency Theory suggests that audit committee independence and expertise act as monitoring mechanisms to reduce information asymmetry. However, the initial finding of a negative relationship

with performance suggests that in the Nigerian context, these characteristics might lead to "over-monitoring" or rigid compliance that stifles operational flexibility. This means the current study implies that Agency Theory may need to be contextualized for emerging markets where institutional environments differ from the West.

The shift from negative or insignificant results to significant positive results after introducing gender diversity strongly supports Resource Dependency Theory. First it suggests that women bring different professional networks, experiences, and cognitive styles (resources) that the committee previously lacked. (2) The findings indicated that boundary spanning where gender diversity enables the audit committee to better manage external dependencies and social legitimacy, which directly translates into better performance.

The findings of this study contribute to the discussion on Critical Mass Theory. By showing that gender diversity moderates the effectiveness of other committee traits (independence, expertise, and meetings), the study demonstrates that gender is not just a "check-the-box" requirement. Instead, it acts as a synergistic variable that "unlocks" the potential value of technical expertise and independent oversight that were otherwise dormant or counterproductive.

The study highlights that the process of governance (how committees interact) is just as important as the structure (who is on the committee). The fact that audit committee meetings became significant only when moderated by gender suggests that female presence may improve the quality of discourse and decision-making during those meetings, moving them from a routine compliance exercise to a value-adding activity

While independence is often viewed through an Agency lens, the gender moderation results suggest a shift toward Stewardship Theory. The inclusion of women may foster a more collaborative and "pro-organizational" environment, aligning the goals of the independent experts and the board more closely with the long-term performance of the firm.

ii. Practical Implications:

Strategic Board Composition: The shift from negative or insignificant relationships to a positive

correlation when gender diversity is introduced suggests that women bring unique monitoring styles or cognitive diversity that "unlock" the value of independent and expert members. Firms should move beyond tokenism and view gender diversity as a performance-enhancing tool.

Policy Reform for Regulators: The Nigerian Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) should consider strengthening gender quotas within the Nigerian Code of Corporate Governance. The study proves that diversity isn't just a social goal but a financial safeguard.

Optimizing Audit Committee Meetings: Since meetings alone were found to be insignificant, the results imply that "more" meetings aren't necessarily "better" unless they are diverse. Firms should focus on the quality of discourse facilitated by a gender-inclusive committee rather than just the frequency of sitting.

Professional Development: Recruitment for audit committees should prioritize female candidates with technical expertise. Because diversity moderates the impact of expertise on performance, having women with accounting and financial backgrounds is critical for the "expertise" variable to yield positive results.

Investment Appeal: For investors and stakeholders, a gender-diverse audit committee can serve as a signal of high-quality governance, potentially lowering the perceived risk and increasing the market valuation of listed financial firms.

iii. Managerial Implications:

Strategic Board Composition: Managers should move beyond "tokenism" (appointing only one woman to fulfill perceived requirements) and aim for a "critical mass" of female representation. Evidence suggests that the performance benefits of gender diversity are stronger in firms with two or more female directors.

Mitigating Governance Weaknesses: In emerging markets like Nigeria, where institutional frameworks may be weaker, gender-diverse audit committees can serve as a substitute for deficient oversight mechanisms. Female directors are often more diligent, sensitive to ethical considerations, and inclined toward transparency, which strengthens financial oversight.

Enhancing Decision-Making Quality: Gender diversity improves the functional performance of the audit committee by bringing varied perspectives and more rigorous monitoring. This helps in challenging management decisions constructively and ensuring that complex financial problems are analyzed from multiple angles.

Improving Sustainability and Reporting: Diverse committees are more likely to align corporate oversight with long-term sustainability goals and reduce opportunistic behaviors, such as aggressive earnings management.

Policy and Training Alignment: Firms should not only recruit more women into these roles but also invest in continuous training and development, focusing on diversity management and emerging financial reporting standards to maximize their effectiveness.

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